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**Financial circumstances and family change**

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# **FINANCIAL CIRCUMSTANCES AND FAMILY CHANGE**

Submitted by

**KAREN ROWLINGSON**

For the degree of Doctor of Philosophy  
(Staff method B)

of the University of Bath  
2002

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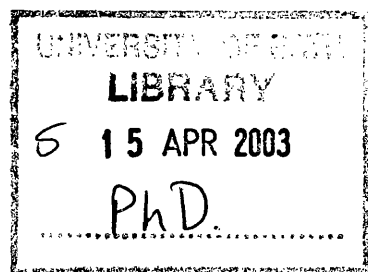
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# Financial circumstances and family change

## Contents

|  |    |
|--|----|
| <b>Acknowledgements</b>  | 3  |
| <b>Abstract</b>  | 5  |
| <b>Introduction</b>  | 6  |
| <b>Part One: Financial circumstances of individuals, families and households</b>   | 8  |
| 1. Rowlingson, K (1994) <i>Moneylenders and their customers</i> , London: PSI, 193 pages   | 9  |
| 2. Rowlingson, K, Whyley, C, and Warren, T (1999) <i>Wealth in Britain: a Lifecycle Perspective</i> , London: PSI, 169 pages   | 13 |
| 3. Rowlingson, K (2002 forthcoming) 'Private Pension Planning: The Rhetoric of Responsibility, the Reality of Insecurity' <i>Journal of Social Policy</i> , 33 pages | 17 |
| 4. Rowlingson, K and Berthoud, R (1996a) <i>Disability, Benefits and Employment</i> , London: The Stationery Office, DSS research report no.54, 232 pages            | 20 |
| <b>Part Two: Changing family forms - the growth of lone parenthood</b>   | 26 |
| 5. Rowlingson, K and McKay, S (1998) <i>The Growth of Lone Parenthood: Diversity and Dynamics</i> , London: PSI, 229 pages   | 28 |
| 6. Rowlingson, K and McKay, S (2001) <i>Lone parent families: gender, class and state</i> Harlow: Pearson Education, 243 pages                                       | 34 |
| <b>Evaluation of research contribution and future research paths</b>   | 39 |
| <b>References</b>  | 43 |
| <b>Appendices</b>  | 47 |
| A - Full list of publications  | 48 |
| B - Rowlingson, K (2002 forthcoming) 'Private Pension Planning: The Rhetoric of Responsibility, the Reality of Insecurity' <i>Journal of Social Policy</i>           | 52 |

## **Acknowledgements**

This PhD draws on a number of pieces of work that I carried out between 1992-2001. There are many people that I would like to acknowledge for helping me during that time. But even before that period, there were many people who influenced me to do the kind of work mentioned here. My parents and brothers deserve particular credit for providing me with an environment in which asking questions and finding answers was always encouraged. At Latymer School, Edmonton, Jacqui Turner made academic studies come to life with her own avid interest in contemporary politics. During my time at Oxford I gained increasing confidence to develop my own ideas and arguments. I would not have achieved this without the support of my tutors, particularly Piers Mackesy, Paul Hyams and David Eastwood. At LSE, I began to realise that I wanted to work in the field of social research and learnt a great deal about this subject from Gerry Rose. My first job at MORI was great fun but also an excellent learning experience, a superb on-the-job training in quantitative methods. For this experience, I have to thank Stewart Lewis and all the members of the Corporate Image group at that time. My time at PAS was also very important in developing my research skills thanks in particular to the help of Nick Smith, Nicky Stallwood and Caroline Bryson.

All of this experience was the background to the work here, which began when I joined the Policy Studies Institute (PSI) in 1992. I worked in the Family Finances Group and learnt a great deal from the members of that group. There are so many PSI people that contributed to my work that it is difficult to name them all so I will only mention here my co-authors: Richard Berthoud; Alex Bryson; Elaine Kempson; Tracey Warren; and Claire Whyley. I very much enjoyed working with each of these and learnt a great deal from all of them. In 1996 I left PSI to start my academic career. To date, I have worked at the University of Derby and University of Bath. Once again there are many people I could mention here as having a positive influence on my work. On the grounds of co-

authorship, however, I would like to single out Jane Millar, as being a very supportive and highly professional colleague.

Finally, I would like to mention another co-author who also happens to be my partner, Stephen McKay. Steve has had an immeasurable influence on my life and work. I therefore dedicate this submission to him.

## Abstract

The research on which this submission is based lies within the field of social policy and is divided into two substantive areas. The first is the financial circumstances of individuals, families and households. This area includes issues relating to social security, financial planning, savings, pensions, wealth, poverty, credit and debt. The second substantive area relates to changing family forms, particularly the growth of lone parenthood. These two substantive areas have a number of overlaps. For example, as Rowlingson and McKay (2001) argue, poverty is often a cause of lone parenthood as well as a common consequence.

I have an extensive portfolio of publications in these fields (see appendix A for a full list of my publications). In this submission, I present six publications from this portfolio, each of which relates to a particular research study that I have carried out. The research, as a whole, makes an important contribution to social policy in a number of ways, for example in terms of the innovative and sophisticated methods used, the substantive empirical content, the synthesis of knowledge, the theoretical and conceptual developments and the contribution to policy development.

The following sections illustrate these points in relation to my six cited publications. The first section discusses my work on: moneylenders and their customers; wealth in Britain; private pension planning; and disability benefits. The second section considers my research on the growth of lone parenthood and the book on *Lone parent families: gender, class and state*.



## Introduction

My contribution to social policy can be divided into two substantive areas. The first is the financial circumstances of individuals, families and households. This area includes issues relating to social security, financial planning, savings, pensions, wealth, poverty, credit and debt. The second substantive area relates to changing family forms, particularly the growth of lone parenthood. These two substantive areas have a number of overlaps. For example, as Rowlingson and McKay (2001) argue, poverty is often a cause of lone parenthood as well as a common consequence.

I have an extensive portfolio of publications in these fields (see appendix A for a full list of my publications). In this submission, I present six publications from this portfolio, each of which relates to a particular research study that I have carried out. The research, as a whole, makes an important contribution to social policy in a number of ways. Firstly, in terms of methodology, it has used the full range of sophisticated qualitative and quantitative methods, with many of the studies employing combinations of methods in an innovative way (particularly Rowlingson and Berthoud 1996, Rowlingson and McKay 1998 and Rowlingson *et al* 1999). Second, in terms of their substantive empirical content, all of the publications have produced new empirical information. Some of the research has brought to light topics in social policy that have not previously been subject to empirical investigation (in particular, Rowlingson 1994 and Rowlingson and Berthoud 1996). Most of the publications have produced a synthesis of knowledge that no-one has previously put together (particularly Rowlingson and McKay 2001). Third, in terms of theory and conceptualisation, many of the studies have contributed to new ways of understanding particular social issues (particularly Rowlingson 1994; Rowlingson and McKay 1999; and Rowlingson 2002). Finally, in terms of contribution to policy development, these studies are all highly policy-relevant and have attracted substantial

media interest and interest from policy-makers, implementers, practitioners and commentators (particularly Rowlingson 1994; Rowlingson and Berthoud 1996; Rowlingson and McKay 1999; Rowlingson *et al* 1999).

The following sections illustrate these points in relation to my six cited publications. These have been divided according to the two research fields identified above. Four out of the six publications were jointly-authored (three were authored with one other person, one had a total of three authors). This is mainly because the projects involved substantial amounts of work often within a tight timetable and so a team approach was most appropriate. But I am first author in all cases and this indicates that I had the major input to the research. I have said more about the balance of responsibility and work on each project in the commentary and have provided a percentage at the beginning of each section to indicate (as accurately as I can) how much of the resulting publication was due to my work.

## **Part One: Financial circumstances of individuals, families and households**

The financial circumstances of individuals, families and households covers a range of social policy issues including social security policy, money management/financial planning, savings, wealth, credit, debt, and pensions. This area of social policy has been particularly important since the late 1980s when the credit and consumer boom began to bust. This spawned a number of studies of the credit market and the extent of debt (see for example, National Consumer Council, 1990; Ford 1991; Berthoud and Kempson 1992). The growth of poverty and inequality in the 1980s and early 1990s also led to renewed interest in debt and the ways in which poor families managed to survive (see for example Kempson *et al* 1994). This period also saw extensive reforms of social security policy designed to move people from benefits into paid work, with relatively little success.

Towards the end of the 1990s, and following the election of a Labour government, attention has turned towards the issue of financial exclusion. A number of studies have, partly following on from my own work in this field, sought to investigate this issue (see for example Kempson and Whyley 1999). While there has been a change of government, the kernel of government policy in this field remains focused on paid work and 'self-reliance' as the solution to 'the problems' of exclusion and poverty. Individual 'self-reliance' through paid work and private savings/pensions has been a key theme in the late 1990s/early 21<sup>st</sup> century and my most recent publication, cited in this submission, explores this issue.

The publications put forward in this section have drawn on, and contributed to, the conceptual, substantive and policy debates in this area.

**1. Rowlingson, K (1994) *Moneylenders and their customers*,  
London: PSI, 193 pages**

The moneylending industry attracts a great deal of attention and concern among the media, policy-makers, practitioners and general public but until my study there had been no independent empirical investigation into the legal side of the industry in contemporary Britain<sup>1</sup>. Some other studies (for example, National Consumer Council, 1990; Ford 1991; Berthoud and Kempson 1992) had collected very limited quantitative information on the industry in an incidental manner (for example, while collecting survey information on all forms of credit and debt) but there had been no study focusing solely on the highly controversial moneylending industry.

I therefore wrote a proposal to the Joseph Rowntree Foundation (JRF) and gained funding for the study. I then managed and carried out all the empirical work on the study. But the initial access to the industry would not have been achieved without the help of Elaine Kempson who also provided some general supervision for the study. There was also an Advisory Group appointed by the Joseph Rowntree Foundation (who funded the study). The Advisory group gave helpful comments and support throughout. This was a very controversial subject and it would have been very difficult to maintain an independent perspective without the help of the Advisory group and other researchers at PSI.

The research set out to consider two views of moneylending: the critical view of the industry and the industry's own, more positive, view of itself. The focus of the difference between these two views lay in the nature of the relationship between moneylenders and their customers and so it was appropriate to carry out a qualitative study exploring this relationship in

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<sup>1</sup> There had, however, been a semi-structured survey of moneylending customers in Ireland (Daly and Walsh 1988) and an historical study of moneylending and pawnbroking in Britain (Tebbutt 1983)

depth. The study involved a range of methods and respondents. I used semi-participant observation with moneylenders along with in-depth interviews with: managers in moneylending firms (from chief executives to line managers - mostly men); moneylending agents (mostly women); and moneylending customers (again mostly women). One of the main challenges in the study was to gain access to the legal moneylending world and this was accomplished through sensitive negotiations to build up the trust of the leading figures within the moneylending field.

The study over-turned many previously held assumptions about this industry. In particular, the image of a moneylender as an aggressive man threatening poor and vulnerable customers was challenged, at least for the legal end of the business. Moneylending agents were shown to be women in most cases and they used subtle methods of securing custom rather than the heavy-handed methods generally attributed to 'loansharks'. This was a highly original finding and was discussed in detail in the book. The study therefore contributed to our understanding of the nature of the personal relationship between moneylenders and their customers.

The book also considered the issue of the high interest rates charged by moneylenders and it was argued that these were mainly due to the high costs associated with weekly doorstep collection. But the research did not conclude that the moneylending industry was unproblematic. The main problem highlighted by the research was the poverty of the customers who took out loans. These socio-economic structural problems were not caused by moneylending but by wider forces. To some extent, moneylending was a vital resource for some people in poverty. However, there was evidence of moneylenders encouraging people to borrow more money than the customers would have otherwise wanted. There were also criticisms made of the practice of renewing loans before they were finished. This led to APRs (Annual Percentage Rates) soaring well above acceptable limits.

While the study was mostly qualitative in method, it also produced the only statistics available on the extent of the market. It found that there were about 27,000 agents dealing weekly with about 3 million customers. These figures remain the most reliable figures on this industry and are still quoted when commentators are discussing this subject.

The study attracted considerable media attention, with all the major broadsheet and tabloid newspapers running stories related to the research. I was also interviewed by a number of radio stations. Following on from the original publication, I produced a number of other publications based on the research. One focused on the issue of interest rates relating to moneylending and contributed to the debate on whether such interest rates should be further limited (Rowlingson 1995a). Another publication highlighted the findings from the study in a trade magazine for Citizen's Advice Bureau (CAB) advisers. This proved highly controversial as the CAB advisers generally have a very negative view of moneylending due to their contact with people who have had particularly problematic experiences. There was therefore a major debate among the editorial group about whether or not to publish my research. It was eventually published, but was given the sub-title: *A researcher's view* to make it sound rather subjective (Rowlingson 1995b). And this piece was printed alongside a much more negative view about the industry from a CAB adviser.

Two other publications sought to extend the more theoretical issues in the research (Ford and Rowlingson, 1996a, 1996b). One considered the issue of exclusion and inclusion in relation to the credit industry. It argued that people who used moneylenders were often exercising a degree of choice in doing so, for a variety of reasons. They were not therefore completely excluded from the credit world and they preferred the moneylending forms of credit to more mainstream forms, for a variety of reasons. The other article considered the important role that women play in the production of consumption within the non-mainstream credit industry.

There has been no further study in this field by anyone else. It therefore remains as the only independent empirical study devoted entirely to the subject of legal moneylending. The research was carried out on a highly sensitive subject and therefore involved the development and use of appropriate, and equally sensitive, methods. It produced empirical material on an important social policy area that had not previously been investigated. It contributed a conceptual analysis of the nature of the relationship between moneylenders and their customers. And it was a study that has continued to contribute to the policy debate within this field.

**2. (60%) Rowlingson, K, Whyley, C, and Warren, T (1999) *Wealth in Britain: a Lifecycle Perspective*, London: PSI, 169 pages**

Much of the research on poverty and inequality in Britain focuses on *income* as a measure of well-being. For example, the Joseph Rowntree Foundation's *Inquiry into Income and Wealth* had produced a wealth of information about income but a paucity of information about wealth (Hills 1995). Previous research on wealth had mostly been carried out by economists (for example, Dunn and Hoffman 1978; King and Dicks-Mireau 1982

; Banks and Blundell 1993). Furthermore, much of the previous work on wealth had either been carried out in the US (for example, Feldstein 1974; Bernheim and Scholz 1992) or on particular aspects of wealth rather than taking an overview of the issue (Munnell 1976; Munroe 1988; McKay 1992). Much of it was very out of date.

I therefore wrote a proposal to the Joseph Rowntree Foundation (JRF) to carry out a major quantitative and qualitative study of wealth in Britain. The proposal was successful and I then managed a team of researchers to carry out the research and was directly involved in all aspects of the research process, particularly the qualitative side of the study. Finally, I wrote the majority of the published book on the study. Once again, there was an Advisory Group appointed by the Joseph Rowntree Foundation to give advice on the study.

The study aimed to increase our knowledge and understanding of wealth in Britain by focusing on the role of the lifecycle in explaining differences in the distribution of assets. The study also sought to explore the factors that influence the accumulation and running down of wealth and look at how and why different people build up a wealth base in different ways - and with varying degrees of success.



The study involved a literature review; secondary quantitative analysis of the Family Resources Survey - a large and complex dataset of 26,000 households; and in-depth interviews with 40 families at different lifecycle stages.

One of the reasons for the lack of research in this field is that conceptualisations of wealth are heavily contested and data on wealth, with which to operationalise our concepts, are very poor. This research set out a clear definition of wealth (dividing it into three broad categories: housing wealth, pension wealth and financial savings) and was innovative in finding ways of operationalising wealth, given the limitations of data from a large-scale survey. It was particularly challenging to operationalise accumulated pension wealth (in other words, to capture what a person should be entitled to, were their pension provision to cease further operations tomorrow but with the pension providers honouring obligations already entered into without penalties for cashing in early). Given the range of different types of pension available, this was a very complex task. A similar challenge was to operationalise accumulated housing wealth given the extensive use of endowment mortgages.

The qualitative research was also challenging, as people are often highly reluctant to disclose details of their personal finances. The importance of building up rapport and stressing confidentiality was crucial. Having said all of that, the qualitative research was focusing more on attitudes to wealth, and general financial behaviour rather than tracing every penny of someone's material resources.

The research came up with our most reliable estimates to date on the extent and distribution of wealth in Britain. It also produced new information about the links between income, wealth and the lifecycle as these three variables are closely intertwined. For example, it identified a particular group of pensioners who were 'asset rich' but 'income poor'. The poorest families in terms of both income and wealth were young single people and lone parents. Older childless couples were best-off in

terms of both income and wealth. The qualitative research investigated knowledge, attitudes and behaviour in relation to building up and running down assets. It found that knowledge and attitudes were important in this field but that the capacity to accumulate wealth was of primary importance. The role of social norms in affecting certain kinds of wealth behaviour was also highlighted - for example there were norms relating to the point in a lifecycle which is seen as the appropriate time to take out a mortgage. There were also norms about prioritising payments on mortgages (housing wealth) over payments towards a pension (pension wealth).

This research, when published, attracted considerable media attention from the newspapers and I was also interviewed by local and national radio, and national TV. Interestingly, the media tended to focus on the wealthy pensioners identified by the study and many articles appeared about the Grey Economy. The fact that about a third of the people in the survey had no savings at all and had very little wealth was of much less interest to the media. The research has been useful to policy-makers as the policy debate in the late 1990s has shifted towards issues of 'stakeholding' particularly in the field of pensions. The idea of promoting saving and wealth accumulation as a form of 'asset-based welfare' is also very popular in the Treasury, where Gordon Brown, the Chancellor of the Exchequer (1997-), is keen to encourage 'Prudence' and 'Thrift'. In the late 1990s, the government introduced Individual Savings Accounts to provide even greater incentives for people to save than had been the case with the Conservative Government's TESSA policies. And proposals have also been put forward to introduce 'Baby Bonds' (now 'Child Trust Funds') and a Saving Gateway as ways of encouraging saving from the earliest possible moment of a person's life. So the research has been important in providing up-to-date information about an area of social policy area that has been relatively neglected but is now of increasing policy interest.

The research has also been used to contribute to more academic debates about wealth. In particular Warren, Rowlingson and Whyley (2001) consider the well-established debates around the gender wage gap and then apply these to a discussion about the gender assets gap. This is a new concept in the social policy literature and one which is firmly based on the new empirical data from the original study. I have also used this research (Rowlingson 2002) to question the validity of the lifecycle hypothesis used by economists to explain the distribution of wealth. Using the data from the FRS I have demonstrated the importance of structural factors such as income/class and gender. Warren and Britton (2002) have also used the data from the study to discuss the relationship between ethnicity and asset levels.

Government measures of poverty rely solely on a definition relating to income, ignoring wealth completely - except income streams from wealth (Department of Work and Pensions 2001). And yet, as this study confirmed, the distribution of *wealth* is extremely unequal - far more so than that of income. The research was also important as it involved sophisticated methods in both the quantitative and qualitative methods, and also brought these two different types of methods together in one study. It developed our conceptualisation of wealth and produced a considerable amount of empirical material on the distribution of wealth and people's attitudes and behaviour in relation to wealth. It is highly policy relevant in relation to issues such as how policies can encourage saving and pension planning.

**3. Rowlingson, K (2002 forthcoming) '*Private Pension Planning: The Rhetoric of Responsibility, the Reality of Insecurity*'  
*Journal of Social Policy***

This article was heavily based on empirical research from a study (funded by the Joseph Rowntree Foundation) into people's future orientation and forward planning (see Rowlingson 2001 for overall findings from this study). The article cited here, however, concentrated specifically on the area of private pension planning.

The context of the article is that recent governments, including the current one, have been keen to encourage people to put more money into private pensions (DSS 1998a). This policy goal has not been very successful: the article explored why. It also unpacked the rhetoric surrounding recent government policy in this field. Government papers are filled with references to the word 'responsibility' in relation to savings and pensions and yet they are only interested in particular forms of responsibility, namely individual responsibility rather than collective responsibility (DSS 1998a; DSS 1998b). For example: *'The pension system should reward work. It should also reward saving ... Those who can save have a responsibility to do so'* (DSS 1998b). The government therefore assumes that if people are not putting sufficient money into private pensions then this is due to irresponsibility. The article was therefore drawing on broad academic debates around the role of individuals' rights and responsibilities in relation to the welfare state (see, for example, Mead 1986; Etzioni 1993, 1997; Giddens 1994; Field 1996; Blair 1998; Deacon and Mann 1999; Heron and Dwyer 1999).

This article put together a range of information on pension policy rhetoric. It also reviewed previous research and it discussed new empirical findings on pension planning, a policy issue at the fore-front of the government's agenda and affecting all individuals in British society today. Much of the article was based on the analysis of 40 in-depth interviews

carried out as part of my previous work (Rowlingson 2001). The interviews involved people from a range of economic backgrounds, of different ages and in different types of families. The issues covered included very broad issues around forward planning as well as focusing on particular issues such as pension planning. I carried out all parts of this qualitative study myself apart from employing an interviewer to conduct half of the interviews.

The article argued that pension policy should be based more on collective rather than individual responsibility (for example, through the national insurance system rather than the private pension system). It argued that the reasons for people not putting more money into private pensions was due to a range of factors other than individual 'irresponsibility'. One of the major problems facing individuals in relation to private pensions is their lack of knowledge and the insecurity they inevitably feel when faced with such a highly complex issue. The unreliability of the financial services industry (highlighted by the Maxwell occupational pension scandal, private pension mis-selling, endowment mortgage mis-selling, the fall of Equitable life, and so on) merely adds to the insecurity.

The article also assessed the future role of the Pension Credit, which is an attempt to avoid the savings/occupational pension trap (whereby those who have saved money then have reduced access to means-tested benefits). The proposals for a Pension Credit stem from the government's concern to both *reward* saving (an issue of fairness/morality) and *encourage* saving (an issue of incentives). The IFS doubt the extent to which it will achieve the latter (Clark 2001). Both the IFS and the Institute for Actuaries (2001) point to the potential market distortion that the change in the means test is likely to produce. There will be a clear disincentive to convert financial wealth into annuity income as the former will not be means tested while the latter will.

But these organisations base many of their predictions about the impact of pension policy on a simple rational economic model of how people

behave. My qualitative research, however, suggests that this model needs modification. This is because those people who might be affected by dis/incentives appear to know little about the operation of the current private pension/savings trap and, in any case, its operation is likely to have been changed substantially by the time they retire. Until their 40s and 50s, people tend to behave more in relation to their current circumstances than their thoughts about the details of future pensions policy. Changes in means-tests might therefore change behaviour to some extent but not as much, perhaps, as might be assumed from simple economic rationality. Having said this the policy debate is often seen to be as much about fairness as it is about incentives.

The article was therefore an important contribution to our understanding of a key social policy issue: pension planning. It dissected the policy rhetoric in this field and discussed the concept of 'responsibility' in relation to this. It drew on rigorous empirical material to present the reasons why people do not necessarily behave in a way that conforms to simple economic rationality.

**4. (70%) Rowlingson, K and Berthoud, R (1996a) *Disability, Benefits and Employment*, London: The Stationery Office, DSS research report no.54, 232 pages**

This publication concentrates on the financial circumstances of a particular group of people: disabled people. Disability benefits are a major part of the social security system (the second largest benefit group in terms of expenditure and caseload after pensions – see McKay and Rowlingson 1998). And yet relatively little attention had been given to disability benefits prior to this study compared with, for example, unemployed claimants or low-income families<sup>2</sup>. This study evaluated a benefit for disabled people, introduced in 1992, to encourage them to find and keep paid work. It was called the Disability Working Allowance (DWA) and was, for disabled people, a mirror image of Family Credit - the wage supplement for low-paid workers with children. DWA provided a top-up for disabled people working 16 hours a week or more and earning below a certain level.

The Department of Social Security wished to commission research that would evaluate this new benefit. Richard Berthoud at PSI was in charge of writing the original proposal, with help from myself. We were awarded the project and then I took day-to-day responsibility for the management of the study and designed all fieldwork materials including questionnaires (a total of 9 were designed for the study - see Rowlingson and Berthoud 1996b). I also liaised between the DSS and the survey company carrying out the fieldwork (NOP). I carried out the majority of the analysis and writing-up of the study and therefore have first authorship of the report that was produced.

In terms of research methods, this was a large and extremely complex research study (see figure 1). It involved two quantitative studies. The

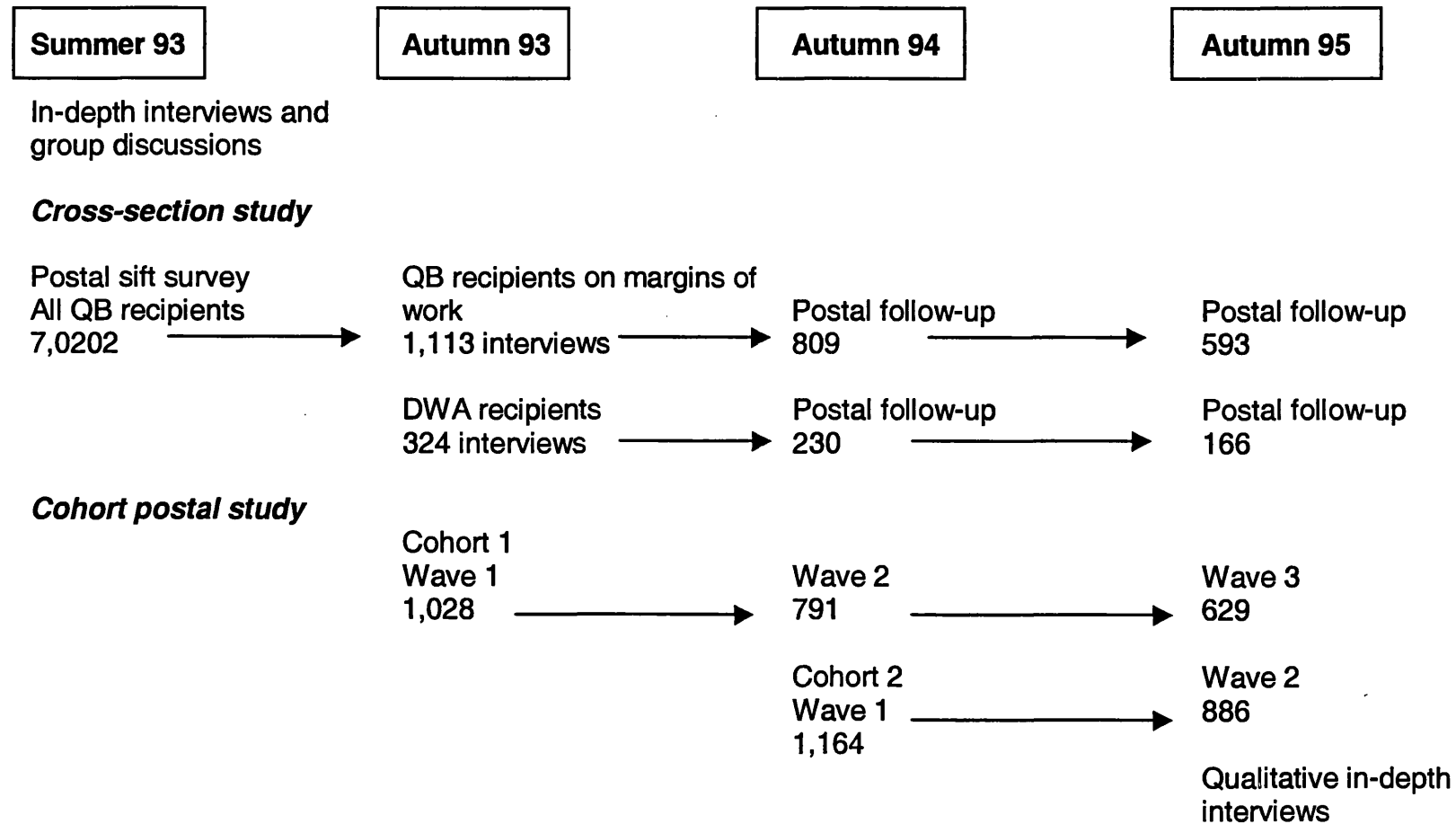
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<sup>2</sup> Exceptions to this include Erens and Ghate 1993, Lonsdale *et al* 1993

main study was a longitudinal cross-section study starting with a postal sift which involved sending out questionnaires to 9,400 people on disability benefits. The second study was a longitudinal cohort study of DWA recipients. A more minor part of the study involved in-depth interviews and focus groups.



## DWA Evaluation – fieldwork schedule



The study produced conclusive findings that the benefit, DWA, had failed to achieve its aims of encouraging a significant proportion of disabled people into work. We were able to show that most of those who claimed the benefit had been in work before the benefit had been introduced or had taken work regardless of whether or not they would get DWA. We estimated that only about 200 people had moved into work directly because of the incentive effect of the benefit. We also pointed to a very low take-up rate of benefit - only about 20 per cent of those entitled to claim it were doing so. These were quite startling findings.

The research also pointed to reasons why the benefit had been a failure. The main reason appeared to be that the vast majority of disabled people simply did not identify themselves as potential workers. Among 1.6 million adults of working age on the four main disability benefits, two-thirds did not expect to work again in the future. Only about a quarter (425,000) showed some attachment to work. These people were followed up with face-to-face structured interviews. Movement into work over the following two years was very slow among this group. The main reason was that although these people showed some attachment to work, the level of attachment was generally quite weak. Those interviewed did not generally expect or feel able to work in the near future. These expectations were probably realistic given that the level of labour market demand at the time of the face-to-face interview in 1993 was relatively weak. Disabled people are part of the marginal labour market and do not find it easy to join the labour force at times of low labour demand.

DWA had been specifically designed to help these people find jobs by allowing them to take relatively low-paid work in the knowledge that this income would be topped up by the state. However, we found that those who were most attached to the labour market wanted full-time, well-paid jobs; they were not looking for part-time work. This was contrary to our

prior expectations as it is often assumed that disabled people may only be able to work for a limited number of hours a day or days per week. This may be true of disabled people as a whole but it was not true of those disabled people most attached to the labour market. They wanted 'proper' jobs, just like their equivalent non-disabled peers.

DWA also failed to make a difference because awareness of the benefit was fairly low. Two thirds of those who might have been able to take advantage of it, had not heard of it. And among the minority who had heard of it, knowledge was pretty limited. Then again, knowledge among those who were actually receiving it was also limited so it was not so much knowledge as lack of awareness that was the problem.

Why was awareness so low? The benefit had been publicised at the same time as the introduction of Disability Living Allowance and DLA applications far exceeded the government's expectations. So publicity, it seems, must have been adequate. Perhaps it was confusing to people to have both DWA and DLA publicised at the same time but it seems more likely that awareness of a benefit increases if there is sufficient demand for it. People found out about DLA because they needed it and the grapevine did the rest once initial levels of awareness were raised. The problem with DWA was that few people were in a position to take advantage of it.

But even among those who were eligible to claim the benefit (a tiny 17,500 throughout the whole country), we estimated that the take-up rate was only about one in five. So four in five of those eligible to receive the benefit were not doing so. There were large statistical margins of error around this figure but, even so, the take-up rate was very low. Only 3,500 people were receiving the benefit in 1993, more than a year after its introduction. The policy-maker in overall charge of the benefit was said to know the name of every claimant, in the first few months of the benefit at least.

The findings from the study were presented by the authors to a Minister in the DSS and the research was very highly regarded within the DSS despite the gloomy findings. Various follow-up studies tried to see whether amendments to the benefit might improve its success (see, for example, Arthur and Zarb 1997). Various minor changes were made and numbers on the benefit have trickled upwards. In 1999 DWA was replaced by Disabled Person's Tax Credit (at the same time as Family Credit was transformed into Working Families Tax Credit). This does not seem to have had a major effect. The policy-makers do not appear to have learnt the more fundamental lessons from the study – that disabled people on benefit are not in a position to join the labour market immediately. This is partly a question of identity, partly a question of poor employment opportunities and discrimination. Recent policy developments in the field, including the controversial policy of requiring disabled people to discuss employment issues with an adviser before discussing benefit needs, have still not tackled the basic issues.

This study involved large, sensitive and complex research methods and analysis. It combined quantitative and qualitative methods, with in-depth interviews used to try to explain the relationships identified during the quantitative study. In terms of conceptual understanding, it highlighted the role of identity as a key feature explaining low employment participation rates for disabled people but it also argued that this identity is reinforced by various structures, not least the benefit system itself, with its emphasis on *incapacity*. It produced a mass of empirical findings in relation to the evaluation of DWA, not least the very poor take-up rate and low awareness of the benefit. The research has been highly regarded by policy-makers within the government.

## **Part Two: Changing family forms - the growth of lone parenthood**

The second half of the 20<sup>th</sup> century has seen dramatic changes in family structures (see McRae 1999; Rowlingson 2001b for reviews). These changes included: declining rates of first marriage and increasing rates of divorce; increasing rates of cohabitation; growing numbers of step-families; increasing age of parenthood and increasing numbers of women not having children at all; relatively high rates of teenage motherhood; and increasing numbers of lone parent families

Each of these changes has received considerable research attention and my contribution in this field has been to improve our understanding of the growth of lone parenthood. But many of these changes are related to each other - such as divorce, lone parenthood, step-families. They can be seen not as static categories but as different stages in family life. Much of the research in this field, including my own, has paid particular attention to the dynamic aspects of family change.

As well as describing the changes that have occurred, a number of commentators, including myself, have tried to explain the reasons for these changes. Two general areas of explanation are usually put forward. One relates to structural phenomena, particular in the realm of the economy. For example, it is sometimes argued that the number of 'marriageable men' in the working class (those able to provide breadwinning wages to support a family) has declined and this has been signalled as a major factor in family change in the United States (Garfinkel and McLanahan, 1986; Wilson, 1987). In the UK, Webster (2000) makes a similar point about the increasing correlation between areas of male unemployment and the percentage of households headed by lone mothers. Within the middle class, the increasing opportunities for women are also likely to have affected their views of relationships and parenting. The decline of 'mandatory marriage' might therefore be seen as accompanying the decline of industrialisation. The availability of social

security and housing for lone-parent families is another structural factor often pointed to as a possible reason for the increasing numbers of lone parent families but there is no convincing evidence of this and my research has certainly provided evidence to the contrary.

More recently, academic research on the family has moved away from the analysis of economic and welfare structures and considered instead the role of cultural values and individual attitudes on family change. Ingelhart (1990) has emphasised the cultural shift to values emphasising individual self-realisation and autonomy. Following on from this, Giddens (1992), Beck and Beck-Gernsheim (1995) and Smart and Neale (1999) have emphasised both the role of individualism and the complexities surrounding intimate relationships.

My research, once again, draws on and contributes the methodological, conceptual, substantive and policy debates within this field.

**5. (70%) Rowlingson, K and McKay, S (1998) *The Growth of Lone Parenthood: Diversity and Dynamics*, London: PSI, 229 pages**

There were a number of studies of lone parenthood carried out in the early 1990s (key examples being Bradshaw and Millar 1991; Marsh and McKay 1993) but most of these studies focused on the contemporary profile of the group and the related policy questions. This study (Rowlingson and McKay 1998) stemmed from a desire to take a broader look at these issues and consider why there had been a growth in lone parenthood from the 1970s onwards.

I wrote a proposal to the Economic and Social Research Council who then funded it under its Research Programme into Population and Household Change. The research team involved the authors of the publication and also Richard Berthoud who had some input to the quantitative analysis and reporting but, generally, played a nominal supervisory role on the project. I was solely responsible for the qualitative part of the project and also played a role in designing and writing up the quantitative part. However, Stephen McKay played the more hands-on role in carrying out the quantitative analysis. I was in overall charge of the project and combined the quantitative and qualitative research in writing up the final publication. The research drew heavily on two conceptual perspectives: dynamics and diversity.

The study used a particularly innovative combination of methods - sophisticated survival analysis of life history data from the Social Change and Economic Life Initiative (SCELI) data set and in-depth interviews with a range of lone mothers. The quantitative analysis aimed to *identify the importance of different factors* to the growth of lone parenthood while the qualitative analysis aimed to *explain the mechanism* by which these factors led to such a major social change.

The issue of dynamics was important in both the quantitative and qualitative research. The quantitative research was interested in analysing the growth of lone parenthood over time but also analysing the amount of time people remained as lone parents. The qualitative research was also interested in dynamics but from the point of view of seeing lone parenthood as a process rather than a discrete outcome. The interviews therefore talked women through the process of becoming and being a lone parent. For those who were no longer a lone parent, the interviews then looked at the process of leaving lone parenthood.

The issue of diversity was also important in both the quantitative and qualitative aspects of the study. The main focus here was the difference between women who had become lone parents through separation from a partner and those who had become lone parents by having a baby while single. The qualitative research highlighted the difficulties in finding the dividing line between these two groups. For example, at the extremes it is clear when a woman becomes a lone parent through separation from a partner. If a woman has been married to a man for several years and had children with that man and then the relationship ends, it is clear that she has become a lone parent through separation. Similarly it is also clear that a single woman who has no boyfriend but nevertheless conceives and bears a child, will become a lone parent by having a baby while single. However, with the growth of cohabitation and more informal styles of relationship, there are grey areas between these two extremes. For example, what about a cohabiting couple who separate while the mother is pregnant? What about an unmarried woman who has a regular boyfriend, perhaps even one who stays over with her from time to time. If she has a baby, is she a lone parent at all? And if that relationship ends, what route has she taken to lone parenthood?

In official statistics on lone parenthood, the issue of cohabitation had traditionally been ignored – lone mothers were either separated/divorced from a husband or they were considered to be never-married lone mothers. But this division is no longer appropriate given the rise in



cohabitation. In our research, we made a distinction between lone parents who had separated from a partner (whether or not they had been married to that partner) and women who had been without a partner at the time they gave birth to a child. Even so, there were a number of cases that appeared to lie somewhere between these two categories.

A broader question concerns why we are interested in these two categories. Is it so that lone parents can be divided into 'deserving' and 'undeserving' groups with ex-married women falling into the first category and single mothers falling into the latter? This was certainly not our intention or interest. Our reason for making this categorisation was partly so that our analysis could be compared to previous research but also because there do seem to be important socio-economic differences between different categories of lone parent. Our purpose was not to judge these groups but to highlight the need for different policies to be developed for different types of lone parent. For example, young single women with young children and few educational qualifications will have different needs from older ex-partnered women with older children.

Our quantitative research certainly found a strong link between social class and single motherhood – a theme we followed up in Rowlingson and McKay (2001). There was also a strong link between ethnicity and single parenthood – with single women from West Indian backgrounds having a very high rate of single parenthood compared with other ethnic groups. However, despite the identification of some socio-economic variables with the growth of single motherhood over time, it was difficult to explain more than a small part of the growth by these variables.

Relatively low explanatory power is common among micro-econometric models using micro-data. This reflects sample diversity, and the difficulty of accurately capturing key concepts with general secondary data. It is also because other factors also seem to be important – such as general cultural and attitudinal changes in relation to sex, marriage, relationships, gender roles and parenthood. These were not measured in the SCEDI data and therefore could not be included in the model.

The qualitative research produced very rich data on the process by which women became single lone mothers. The women were in very different types of relationships at the time they conceived their children – some women were living with the child's father at this time while others had regular boyfriends and some had no boyfriends. Virtually all of the women had got pregnant by accident due to poor knowledge and use of contraception. But there were signs that the risk of getting pregnant had not greatly concerned some of the women. The women did not have abortions for a range of reasons: for some, it was too late by the time the pregnancy had been identified; for others there were moral objections; and others were simply keen to have a child once they knew they had conceived. Some women wanted to live with the father of the child but in these cases he did not have the same feelings. In other cases the women thought that the father of the child would make an unsuitable/unreliable partner/full-time father. The parents of the lone parent were usually shocked initially on hearing of her pregnancy but they were then, generally, supportive. There were no calls for shotgun weddings!

Turning to the separated lone mothers, quantitative analysis of married couples showed that various demographic variables increased the chances of becoming a separated lone mother including. These were: early marriage; having children early in marriage or having a pre-marital conception; and being a social or private tenant (a proxy indicator of economic status and hardship). Most socio-economic variables made little difference except for the husband's employment status. Couples were three times more likely to split up if the husband were unemployed compared with if he were in paid work. Once again, demographic and socio-economic variables could only explain a small part of the growth of separated lone motherhood over time.

In the qualitative interviews ex-partnered women pointed to personal reasons for relationship breakdown. These included conflict over gender

roles, conflict over the control of money, domestic violence. Couples often stayed together for some time after their problems initially materialised. There were few signs that couples ended relationships lightly though the women interviewed did generally say that they felt they had been less willing to stay in unhappy relationships than their mothers might have been. It was not easy for them to split up from their partner but it was easier than it had been in the past.

Finally, the research considered the duration of lone parenthood and produced estimates of the average (median) duration of lone parenthood among the women in the SCLEI sample. Half of all lone mothers leave lone parenthood within six years. Half of all single lone mothers marry three years after having their first child and half of all divorced lone mothers remarry five years after their divorce. Half of all separated lone mothers remarry eight years after separation. Given that lone parents are likely to cohabit before (if not instead of) marriage, these durations might appear rather short. They certainly contradict the popular media image of lone parents as young women who remain single and on benefit for very long periods of time.

However, there were indications that durations of lone parenthood, for individual types of lone parent, were increasing. Part of the growth of lone parenthood could therefore be ascribed to increasing duration, rather than simply increases in rates of entry into lone parenthood.

The qualitative research found that women saw a number of advantages and disadvantages to lone parenthood. Few were desperate to find a partner and few were completely opposed to finding one. Most seemed to want to find 'Mr Right' and had ideas about what type of man this might be – a non-violent one, a man who could share (money, time, care of children) and so on. Some women did move in and out of lone parenthood on a number of occasions but not because they saw lone parenthood as a particularly desirable state to be in.

One of the challenges of this study was to combine a highly sophisticated quantitative technique with a highly qualitative analysis of in-depth interviews. The study is a particularly strong one because of this combination. The quantitative research focused on outcomes and identifying relationships between variables that could be generalised to a wider population. The qualitative research focused on processes and exploring relationships between variables in terms of choices and constraints in individuals' lives.

The media were very interested in this research, particularly the Daily Mail, which managed to find and highlight findings in relation to ethnicity and lone parenthood.

To sum up, this study involved highly sophisticated quantitative methods and an innovative combination of quantitative and qualitative methods. It increased our understanding of a number of concepts in relation to lone parenthood: dynamics, diversity, choice and constraint. Indeed, the very definition of lone parenthood was also explored in the study. In terms of substantive findings, the research was important in identifying the links between socio-economic factors and lone parenthood. The role of economic disadvantage in relation to single motherhood was a particularly important finding.

**6. (80%) Rowlingson, K and McKay, S (2001) *Lone parent families: gender, class and state* Harlow: Pearson Education, 243 pages**

All of the previous publications had been based on primary empirical research ranging from participant observation, in-depth interviews, group discussions, various kinds of structured surveys, and secondary data analysis. This publication (Rowlingson and McKay 2001) was mostly a synthesis of previously published material on lone parenthood. Since the publication of Rowlingson and McKay (1998), the number of publications relating to lone parenthood had increased dramatically. It was therefore an opportune time to write a book bringing together all these different perspectives and making sense of them. It was a huge task to bring together such a large body of research. The book considered the following: research on the current profile of lone parents; historical perspectives on lone parenthood; international comparisons of lone parenthood; sociological approaches to lone parenthood; the role of the state in relation to lone parenthood; poverty and social security; work and employment; care and welfare of children; non-resident parents and child support; health, housing and hardship.

The publication was not, however, merely a synthesis of previously published material. It also contained some new empirical analysis and a new theoretical perspective on lone parenthood. Prior to this publication, lone parenthood had mostly been theorised in terms of gender:

*'Single motherhood is a gendered position, shaped by notions of appropriate relationships between men and women and the roles of mothers and fathers.'* (Duncan and Edwards 1997: p1)

And this perspective is most often applied in relation to lone parent poverty:

*'It is precisely because lone mothers are women that they have a very high risk of poverty'* (Millar 1992: p149)

Millar (1992: p149) argues that the economic position of lone mothers must be analysed in the context of the economic position of women in general and this is the *'only'* way to understand the causes of their poverty. This is because the main source of economic power is via the labour market and women in general suffer from disproportionate access to the labour market. Millar and Glendinning (1992) argue that women are defined as 'secondary workers' in a number of ways. They are also disadvantaged in relation to the social security system as such systems were generally established with the male worker in mind. Levels of means-tested benefits are low in the UK and it is women who have the main responsibility to make ends meet on them.

It is clear that a gender approach to poverty is important in appreciating how poverty affects women in general, and lone parents in particular. Lone parents are disadvantaged because, as women, they are expected to be the ones who look after their children in the home. Their access to the labour market is restricted to secondary jobs and so many of them live on inadequate levels of social security benefits.

But while the gender perspective is clearly important to an understanding of lone parenthood it is not, according to the arguments put forward in Rowlingson and McKay (2001), the *'only'* way to understand lone parenthood. Other factors, such as ethnicity, disability, age and so on are also important. This book emphasized the issue of social class. The class dimension has received much less attention than gender for a number of reasons:

- Feminist researchers are primarily interested in gender and it is these researchers who have paid attention to lone parenthood.

- Marxist researchers are primarily interested in class but they have not been particularly interested in either the family in general or lone parenthood in particular.
- The role of social class became much more complex in the second half of the 20<sup>th</sup> century due to changes in employment patterns. Increasing interest in post-modernist approaches has also sidelined 'essentialist' and structuralist concepts like class and gender.
- Most classifications of social class use the occupation of the chief wage earner to categorise families. Most lone parents are not in paid work and so have no occupational status to use as a clear basis for class categorisation. This makes a traditional class analysis of lone parenthood problematic.

The class dimension has therefore been relatively ignored partly due to lack of interest and partly due to the difficulties in applying a class perspective. Nevertheless, a class dimension is illuminative and has indirectly informed the debate around lone parenthood. Similarly, the rise of lone parenthood has affected the nature of social class in Britain. The 'traditional' class structure of the 1950s was the basis for the nuclear family that flourished at the same time. Changes in that class structure (in terms of the decline in male breadwinning jobs and the increase in female employment) have contributed to the rise of lone parenthood.

Rowlingson and McKay (2001) argued that lone parents, particularly single lone mothers, are mostly women from poor or working class backgrounds. Poverty and lack of opportunity are part of the reason why some single women become lone parents. The poor labour market status of potential husbands is also part of the picture. Equally poverty and unemployment can put strains on couples and cause some to split up. So while it is true that lone parenthood often causes poverty it is also the case that poverty sometimes causes lone parenthood, especially single lone parenthood.

Thus we could paraphrase the quote from Glendinning and Millar (1992) highlighted above. It is not simply the case that lone mothers are poor because they are women. It is also the case that poor women become lone mothers, and remain poor or become even poorer. Of course some relatively wealthy women become lone mothers and these women are likely to see their living standards reduced greatly – perhaps in some cases to a state of poverty. But the experiences of ‘middle class’ lone mothers are quite different from ‘working class’ lone mothers in terms of the resources they may draw upon (for example in relation to housing, savings, maintenance, financial support from the extended family, labour market experience and so on). The lives of ‘middle class’ lone parents may therefore be similar in some respects to ‘working class’ lone parents’ but they are also likely to be very different. We are therefore arguing that while gender is an important factor in understanding lone parenthood other factors, social class in particular, needs similar attention.

People’s lives are complex and it is almost impossible to analyse the relative importance of class, gender and other factors in explaining their experiences. Nevertheless, it is important to be open to the range of factors that might be important rather than stressing only one factor.

These were the arguments put forward in the book. They were then backed up with original quantitative analysis that assessed the social class background of single mothers, using the 1994/5 Family and Working Life data on life histories. For example, we found that young women from unskilled manual working backgrounds were six times more likely to become single mothers than young women from professional backgrounds.

This book is therefore an important contribution to the social policy literature as it is the first time that anyone has produced a synthesis of the very wide range of material from previous studies of lone parenthood. It also puts this material in a distinctive conceptual framework – the



relationship between gender, class and state. And finally, it produced new empirical findings to support the argument made about the strong relationship between social class and lone parenthood.

## **Evaluation of research contribution and future research paths**

My research has made an original contribution to social policy in a range of ways. For example, it has used sophisticated, sensitive research methods, often combined in innovative ways. The qualitative research has involved asking people in depth about two of the most sensitive areas of people's lives: their sexual behaviour and their financial circumstances. Interviewing people about their use of a moneylender was highly sensitive, as was the research with disabled people about their level of economic activity. Discussing attitudes and behaviour in relation to sex, contraception, abortion, adoption and personal relationships with lone parents also needed to be carried out with due regard to moral, personal and political sensitivities. On the quantitative side, the life history analysis of SCEL was extremely complex, as was the analysis of wealth in the FRS, and the longitudinal analysis of disabled people (including the analysis of take-up rates).

The combination of different types of methods was also innovative as it tried to explore different angles of an issue using the different methods. Thus the quantitative research in the lone parent study, measured the relationships between variables while the qualitative research explored the mechanisms behind these relationships. This combination of qualitative and quantitative methods could also be found in the study on wealth and the study of disability benefits.

The conceptual contribution of the research is also an important element. For example the moneylending study involved conceptualising the more subtle nature of the relationship between moneylenders and their customers. The study of wealth in Britain involved detailed discussion of the conceptualisation and operationalisation of wealth. The study about the growth in lone parenthood involved conceptualising the process of becoming a lone parenthood. And the more recent work, including Rowlingson and McKay (2001) and Rowlingson (2002 forthcoming) has

certainly focused more attention on the academic audience and has put the work in the context of more academic debates and conceptualisations. In future, my work will continue to address both a policy and academic audience.

The research has also produced a wealth of new empirical information. Some of the research has brought to light topics in social policy that have not previously been subject to empirical investigation, such as moneylending and in-work benefits for disabled people. Most of the publications have produced a synthesis of knowledge that no-one has previously put together. The book on *Lone parent families: gender, class and state* is a particularly good example of this.

The research has also fed into policy and media debates and has been very influential within central government and other organisations with a policy interest.

There are a number of avenues that my research has highlighted that could be followed up. For example, the moneylending study involved qualitative methods and there is a strong case for carrying out research that would quantify some of the issues raised by that research. For example, what is the profile of moneylending customers in terms of gender, age, economic factors? How much are they borrowing, over what time period, and for what reason?

The study on wealth provided useful data on this subject area but these data are becoming increasingly dated and so there is a need to keep updating information on wealth. This would enable us both to look at trends over time and also to evaluate the impact of any asset-based welfare policies designed to increase wealth. There is also scope to consider policies in relation to wealth and try to build up a more holistic view of poverty drawing on wealth as well as income.

The article on pension planning and individual responsibility also lies within the broad field of asset-based welfare but extends the more narrow policy concerns to include raises a range of issues about the role of norms and ethics. This side of the debate also needs further attention rather than allowing a more technocratic and positivist agenda to dominate.

The research on the Disability Working Allowance raised a number of fundamental issues in relation to disability, benefits and work and there is a need for research which looks more broadly at questions of identity and work orientation among disabled people on benefits.

There have been a large number of studies of lone parenthood to date, which is partly why there was a need for a synthesis book in the form of Rowlingson and McKay (2001). However, certain aspects of lone parenthood do deserve greater attention - for example, the voices of children in these families are rarely listened to directly by researchers. Also, particular sub-groups of lone parents, such as disabled lone parents, have received relatively little attention from researchers or policy-makers. There is also room for an article focusing on the issues about social class in relation to lone parenthood and I aim to work on such an article in 2002.

Looking more generally at these studies many of them are related to poor groups who are seen as a social problem. I have become increasingly keen to investigate the rich and middling incomes as well. This is because, in the words of Tawney (1913 quoted in Alcock 1993:xi) *'What thoughtful rich people call the problem of poverty, thoughtful poor people call with equal justice a problem of riches.'* In the field of financial circumstances, my later research (Rowlingson et al 1999 and Rowlingson 2002 forthcoming) certainly moved in this direction and included people from all walks of life but I would be interested in focusing solely on more affluent groups and consider the role they play in socio-economic life.

Finally, all of the research presented here has focused on Britain and I am keen to look beyond these shores to do more comparative research. I have already begun to do this (see, for example, Millar and Rowlingson 2001) but I am particularly keen to look at Russia. This also brings me back to an interest I have had since 1986, when I studied 20<sup>th</sup> century Russian history at Oxford. I have located a panel survey carried out in Russia from 1992-2000 and aim to study this in terms of changing financial circumstances and family change. This study would therefore enable me to bring together the two parts of my research portfolio.

Finally, and again linking the two parts of my research portfolio, I am writing a chapter on social security policy in relation to changes in demographics/family life and changes in the labour market. This will appear in a collection of chapters on social security in a book edited by Jane Millar.

This submission has demonstrated the important contribution my research has made to the field of social policy. It has also demonstrated that other people have made significant contributions along the way, both formally (in terms of co-researchers on projects) and informally (in terms of those people mentioned in the acknowledgements). The other group of people that have contributed to the research are all those who took part in the various studies. If my research has achieved anything, I hope it has fairly reflected their situations, views, concerns, aspirations, hopes and fears.

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- Warren, T, Rowlingson, K and Whyley, C (2001 forthcoming) 'Female finances: gender wage gaps and gender asset gaps' *Work, Employment and Society*

## **APPENDICES**

### **A - Full list of publications**

**B - Rowlingson, K (2002 forthcoming) 'Private Pension Planning:  
The Rhetoric of Responsibility, the Reality of Insecurity' *Journal of  
Social Policy***

## **Appendix A - full list of publications**

### **Authored Books**

- Marsh, A. and Rowlingson, K. (2002 forthcoming) *Change in low and moderate-income families 1999-2000* (FACS wave 2 Report 1)  
Leeds: Corporate Document Services
- Rowlingson, K and McKay, S (2001) *Lone parent families: gender, class and state* Harlow: Pearson Education
- Rowlingson, K (2000) *Fate, Hope and Insecurity: Future Orientation and Forward Planning*, London: PSI/JRF
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- Hagell, A, Newburn, T and Rowlingson, K (1995) *Financial difficulties on release from prison*, London: PSI
- Rowlingson, K (1994) *Moneylenders and their customers*, London: PSI
- Kempson, E, Bryson, A and Rowlingson, K (1994) *Hard Times: How poor families make ends meet*, London: PSI
- Rowlingson, K and Kempson, E (1994) *Paying with Plastic: a study of credit card debt*, London: PSI
- Rowlingson, K and Kempson, E (1993) *Gas debt and disconnections*, London: PSI

## **Edited books**

Millar, J and Rowlingson, K (ed) (2001) *Lone Parents, Employment and Social Policy: Cross-national Comparisons*, Bristol: Policy Press

## **Articles in refereed journals**

Rowlingson, K (2002 forthcoming) 'Private Pension Planning: The Rhetoric of Responsibility, the Reality of Insecurity' *Journal of Social Policy*

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Ford, J and Rowlingson, K (1996) 'Low-income households and credit: exclusion, preference and inclusion' *Environment and Planning*, 28, pp 1345-1360

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- Rowlingson, K (2002 forthcoming) 'Wealth inequality in Britain and the lifecycle hypothesis: the effects of income/social class and gender' in Schenck, M (ed) *Wealth in European welfare states: winners and losers* Austrian Anti-Poverty Network, Mandelbaum
- McKay, S and Rowlingson, K (2003 forthcoming) 'Social security' in Alcock, P, Erskine, A and May, M (eds) *The Student's Companion to Social Policy - 2nd Edition*, Blackwells/Social Policy Association (SPA)
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Rowlingson, K (1995) 'Moneylending and the disclosure of APRs' *Consumer Law Journal*, volume 3, issue 5, Sweet & Maxwell

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**Appendix B - Rowlingson, K (2002 forthcoming) 'Private Pension  
Planning: The Rhetoric of Responsibility, the Reality of Insecurity'  
*Journal of Social Policy***

## Private Pension Planning: The Rhetoric of Responsibility, The Reality of Insecurity

KAREN ROWLINGSON\*

### ABSTRACT

Over the last twenty years, policy-makers have placed increasing emphasis on individual planning, particularly in relation to pensions. Planning for one's own future, and that of one's family, is increasingly upheld as a morally responsible activity. This article explores the assumptions made by policy-makers in this area. It begins with a discussion of how the rhetoric from policy-makers and policy-commentators makes considerable reference to individual planning and responsibility. The policies themselves, however, sometimes act as disincentives to make private provision and do relatively little to provide security for people's future retirement. The article then draws on empirical research including recent qualitative findings to emphasise the limited nature of private pension planning and the constraints people face in relation to this activity.

### PENSIONS POLICY: THE RHETORIC OF RESPONSIBILITY

During the 1980s and early 1990s, the Conservative government began to explore the possibility of privatising social security, particularly in the field of pensions (DSS, 1994). These policy changes went hand-in-hand with an increasing ideological emphasis on the importance of individual responsibility, hard work, thrift and self-help (Marquand, 1996). Individuals were now expected to take greater responsibility for their own future financial security.

In many ways, the Labour government from 1997 onwards, has continued in the same vein. Tony Blair promises to steer a Third Way between the state interventionism of the old left and the liberal free market philosophy of the new right. His Third Way involves a partnership between both public and private, state and individual in the delivery of, and responsibility for, welfare (Blair, 1998). The new welfare state

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involves active participation rather than passive receipt. And it involves responsibilities and obligations as well as rights (perhaps even more so). In many ways, New Labour continues with the same moral tenets as those enshrined in Margaret Thatcher's call for a renewal of 'Victorian Virtues' (Himmelfarb, 1995).

These sentiments are reflected in a number of recent government publications. For example, in January 1998 the Department of Social Security (1998a) published its *Case for Welfare Reform*. This publication set the scene for the new government's approach to welfare stating that:

Beveridge's principles will remain central:

1. Society has a responsibility to help people in genuine need who are unable to look after themselves.
2. Individuals have a responsibility to help provide for themselves when they can do so.

This theme was revisited in 1999 when the government asserted that 'government cannot solve problems alone. We need to work with people to encourage them to help themselves' (DSS, 1999).

The general principles of self-help and responsibility have been most evident in the government's proposed pension reforms where the emphasis is firmly on rights *and* responsibilities: 'The pension system should reward work. It should also reward saving ... Those who can save have a responsibility to do so' (DSS, 1998b). Those who fail to make adequate provision for themselves are, and increasingly will be, tarred with the brush of irresponsibility.

All of these developments point to a new (or perhaps merely renewed) emphasis on 'Do-it-yourself social policy' (Klein and Millar, 1995), in which there is an increasing onus on individual responsibility. This approach is advocated most vociferously by policy-commentators such as Field (1996), Mead (1986), Murray (1996) and Etzioni (1993, 1997). According to Deacon and Mann (1999: 414) these writers 'share a belief in the need to restructure welfare in ways which encourage and reward responsible behaviour'. Giddens (1994) also sees the future in terms of reflexive individuals anticipating risks and taking the appropriate action, with support from the public welfare sector. As Deacon and Mann (1997: 5) argue, the logic of Giddens' work is that 'individuals must learn to confront risks and simultaneously anticipate, expect, their own lives to be less sure, less taken for granted'. This is all part of a discourse that assigns an important and active role for reflexive human agency in social policy (Hoggett, 2001).

This approach to welfare and individual responsibility cuts across party lines, with William Hague, leader of HM Opposition declaring in February 2001:

We want to be a responsible society. A society where people and institutions see it as worthwhile to save. A society where people's first instinct is to prepare for the future so that they can provide for themselves and those who depend on them. (6 February 2001, quoted on BBC News web-site <http://www.bbc.co.uk/>)

There is therefore widespread support for the 'DIY social policy' model but some writers, such as Heron and Dwyer (1999) argue that: 'a welfare system ... set firmly within a moral framework of self-help and individual responsibility failed to adequately meet the needs of certain individuals in the past and it would not be surprising if it did so again in the near future'. An alternative model of welfare would draw on collective responsibility through the state. This kind of model was advocated by Titmuss (1966) and achieved widespread public support during the 1950s and 1960s. The principle of collective responsibility through the national insurance system is still supported today, once it is explained to members of the public (Stafford, 1998). Collective state planning can also be portrayed in a very positive moral light – as society working together for the good of the whole in a spirit which combines both altruism and self-interest. Individuals are taking collective responsibility for their welfare rather than individual responsibility.

The cultural dimension of behaviour and attitudes to pension planning highlights the complexity of some of these issues. Nesbitt and Neary (2001) found that, among Pakistani and Bangladeshi men in Oldham, private pension planning (including the stakeholder pension) was considered irrelevant largely because there was continued strong support for an intergenerational contract whereby older members of the community would receive support from younger members. This form of provision for old age is outside the realm of both the state and the market.

The main debate, however, is between collective state planning and individual planning through the market. Two of the main features of collective state planning are that it reduces risk for all those covered (Myners, 2001) and that it usually involves a degree of redistribution of wealth. Burchardt (1997: 76–7) argues that 'the distributional impact of moving from a collectively financed to an individually financed system is likely to be regressive ... those on lower incomes tend to be the higher risk groups'. This is confirmed by research by Cebulla (1999) and Taylor-Gooby (2001). So collective planning is likely to reduce risks for everyone and also be more redistributive than individual planning. Another

feature of collective planning is that it allows less room for individual choice and decision-making. This aspect is often seen negatively.

For example, in the early 1980s, Aharoni (1981: 9) argued that there was a need to move (back) towards greater ability for individuals to take risks and responsibility in terms of planning their futures. 'Those who enjoy taking risks find that a paternal society compels them to pay, directly or indirectly, for a large and growing catalog of compulsory insurance schemes to protect themselves.'

The issue of 'choice' in relation to financial planning is, however, a hotly contested concept. Research into private insurance policies by Burchardt (1997: 76) suggests that people find it very difficult to judge value for money from a policy because of the complexity of the products and the difficulty of estimating the risks that one might face in the future: 'an assessment of the value for money offered by a policy is in many cases impossible'. Burchardt goes on to say that this 'undermines one of the principal arguments in favour of private sector provision, namely, that it offers greater choice than social security'.

Taylor-Gooby (1999) argues that most people 'are prepared to accept individual responsibility in the face of risk, but most also demand a measure of state protection against such risk'. The issue is not therefore about responsibility versus irresponsibility but about the most appropriate balance between individual responsibility and collective responsibility. Individual responsibility involves greater individual freedom and 'choice' but it is more risky for everyone and usually more regressive in its outcome. Collective responsibility, on the other hand, allows for less individual freedom/'choice' but is less risky for everyone and can be less regressive. The simplistic rhetoric of 'responsibility' obscures these more fundamental issues.

The rhetoric of individual responsibility is also problematic because it is based on inaccurate assumptions about individuals. Skinner and Ford (2000: vii) argue that policy-makers assume 'that individuals are informed, knowledgeable, able and willing to engage in new forms of financial planning'. Furthermore, policy-makers assume that these characteristics are shared equally throughout the population. Skinner and Ford, however, found that financial planning was most advanced among those whose lives were stable, who had a predisposition for self-reliance, who were financially literate, who had utilised financial advice, and who had high incomes. These already advantaged groups are best able to capitalise on policies that encourage private provision.

Taylor-Gooby (2001) expands on this to argue that policy-makers assume that 'social change has a common impact on all social groups,

and that all citizens will respond in the same way'. He presents evidence to show that the negative impact of increasingly flexible patterns of employment and family life are roughly double for the core working class. This group faces greater risks and yet has fewer resources with which to manage those risks. Taylor-Gooby (2001) concludes that the increasing emphasis on individual responsibility and private provision 'may function as ideology, serving the interests of the more privileged classes by obscuring the continuing importance of class divisions in vulnerability to damage from the risks we all face in risk society'.

#### THE REALITY OF PENSIONS POLICY

The rhetoric of recent pensions policy would suggest that the aim of policy is to provide security in retirement for individuals by encouraging them to make as much provision for themselves as possible. Within this framework, the role of government will increasingly contract to one of regulation rather than provision. But to what extent has recent pensions policy matched this rhetoric? How far does it provide security? And how far does it encourage people to make self-provision?

The Social Security Act 1986 modified SERPS (State Earnings Related Pension Scheme) and encouraged people to opt out of this scheme in favour of private pensions. However, a range of events in the 1990s and 2000s cast doubt on the security offered by occupational and personal pension schemes. The Maxwell pension scandal demonstrated the vulnerability of occupational pension schemes to employer fraud (Goode Committee, 1994) and there are still concerns about occupational pension schemes. For example, Myners (2001) has argued that savers' money is not being invested in ways that maximise their interests. As far as personal pensions are concerned, the mis-selling scandal highlighted the vulnerability of individual consumers to pension sales people (OFT, 1997). More recently, the announcement by Equitable Life in 2000 that it is unable to meet its financial obligations to current policy-holders has further fuelled insecurity over personal pensions. Bolger and Targett (2001) note that: 'Equitable, the world's oldest mutual life assurer, invented actuarial science in the 1760s ... City journalists [in recent years] regularly tipped Equitable as the best haven for the financially astute.'

Research evidence indicates that about a third of people who take out personal pensions cease contributions within three years (DSS, 1998b:12). High charges early on will mean that these people get very poor value for money from such products.

Nevertheless, most people in employment have either an occupational or personal pension. Of 35 million working-age adults in the labour market currently, 10.5 million have occupational pensions, around 10 million personal pensions are held and 7 million have SERPS (DSS, 1998). Research also suggests, however, that many of these start too late and are putting relatively little into these pensions (McKay *et al.*, 1999).

At present the public:private balance of pension income is 60:40. Government proposals in the 1998 Green Paper *A New Contract for Welfare: Partnership in Pensions* (Cm 4179: ch. 4: para. 18) aim to reverse this ratio by 2050. The government wishes to expand private provision through a number of mechanisms but the flagship in its proposals is the stakeholder pension (aimed originally at people earning between £9,000–£18,500). The government will maintain a role in pensions but this role will increasingly be as a regulator rather than a provider of pensions. Employers with five or more employees will have to provide access to stakeholder pensions. Some large employers are likely to provide the pensions themselves. In other cases, the same types of companies that currently provide personal pensions will provide the new stakeholder pension. There will be no employer contributions and the schemes will be 'defined contributions' rather than 'defined benefits'. It is compulsory for employers to provide access to them from October 2001. The government argues that the new 'minimum standards' for the stakeholder pension will make the schemes easier to understand. They should also give some level of protection and reassurance to customers about the deal they are getting. But these standards relate mostly to charges and it has been argued that companies could set charges so low that cover will only be minimal and any more advantageous features might become optional extras so that their costs do not come within the scope of regulation (Pension Provision Group, 1999). The degree of future financial security provided by these pensions is therefore open to question.

Do the government's new proposals provide incentives for individuals to save for their retirement? Is the rhetoric of 'responsibility' reinforced by the reality of policy? Giddens (1994) and Field (1995) have argued that means tests undermine individual responsibility and discourage both work and saving. More recently, William Hague has stated that: 'Re-elect Labour and soon any rational person will think twice before saving for the future, because soon only the very rich will be able to escape the clutches of means-testing' (6 February 2001, quoted on BBC News, <http://www.bbc.co.uk/>). In relation to pensions, the issue of means-testing can be referred to as the 'private pension/savings trap'. This is because those with relatively small amounts of private pension (or with

capital savings) are no better off than those who have made no provision at all because the latter group (if not both groups) will receive a means-tested supplement taking both groups to the same level of income. In the past this supplement was Income Support now it is MIG (the minimum income guarantee).

The government therefore faces a dilemma. If they help the poorest pensioners by increasing the MIG, they increase the numbers of people caught in the private pension/savings trap and thereby reduce possible incentives to make private provision.

Following criticisms of the MIG (see, e.g., Piachaud, 1999), the government recently tried to reduce disincentives to save through proposals for a Pension Credit (DSS, 2000). The proposals include simplifying and increasing the MIG, replacing the pound for pound withdrawal of MIG in relation to private pension income and abolishing the part of the means test that takes capital into account. From 2003, when the proposals will be fully implemented, the means test will be purely an income test and then the Pension Credit will ensure that those with modest private pension income are 'rewarded' for having saved in this way.

The proposals stem from the government's concern to both reward saving (an issue of fairness/morality) and encourage saving (an issue of incentives). The IFS doubt the extent to which it will achieve the latter (Clark, 2001). They suggest that there will be three roughly equally sized groups one of which will certainly face incentives to make private provision, one of which will face disincentives and one of which will face more mixed effects.

On the abolition of a capital-based means test, the Institute/Faculty of Actuaries (2001: 6) have argued that: 'it seems absurd that someone with a large amount of capital but no income flowing from it should be entitled to claim means-tested benefits'. They support a higher threshold for a capital-based means test. Both the IFS and the Institute for Actuaries point to the potential market distortion that the change in the means test is likely to produce. There will be a clear disincentive to convert financial wealth into annuity income as the former will not be means tested while the latter will.

Both the IFS and the Institute for Actuaries base their predictions of the impact of pension policy on a simple rational economic model of how people behave. Qualitative research suggests that this model needs modification (Rowlingson *et al.*, 1999). This is because those people who might be affected by dis/incentives appear to know little about the operation of the current private pension/savings trap and, in any case, its operation is likely to have been changed substantially by the time they retire.

Until they reach their 40s and 50s, people tend to behave more in relation to their current circumstances than to thoughts about the details of current or future pensions policy. Changes in means-tests might therefore change behaviour to some extent but not as much, perhaps, as might be assumed from simple economic rationality. Having said this the debate is seen as much about fairness as it is about incentives.

#### RESEARCH ON PRIVATE PENSION PLANNING

This article has reviewed the rhetoric and reality of recent government policy on pensions. We now turn to empirical research to see how people actually think and behave in relation to private pension planning. Rowlingson *et al.* (1999) suggest that, at present, people are not paying enough into pensions to guarantee the level of pension which they wish to have when they retire. The explanation for this relates closely to conceptions of time in terms of how people think about the future and how they balance current consumption with possible future consumption. In short, retirement seems a long way off to people in their 20s and early 30s. They place a high premium on current consumption and wish to enjoy themselves before they take on the financial responsibilities associated with middle age. Once people have children and 'settle down' they place a higher priority on meeting their mortgage payments and spending on their children than they do on paying towards a future pension. When their children leave home, they have more money but little time left before retirement to make substantial contributions to their pensions.

These findings are supported by evidence from Williams *et al.* (1999) who found that people tended not to think about pension planning until they were in their 40s and 50s. A survey carried out in the early 1990s found that the peak age for giving any thought to pensions was 35–44 (Hawkes and Garman, 1995). And even then, research suggests that people understand very little about their pensions (Goode Committee, 1994).

Hedges (1998) carried out sixteen group discussions among members of the general public and found that people had frequent doubts and insecurities about what will happen in the future, with regard to their financial security. Many assumed that the state pension had a limited future life. Most people under 40 said that they could no longer count on getting a state pension. There were also fears and insecurities about the private sector following the Maxwell occupational pension scandal and the mis-selling of personal pensions which has been compounded by poor compensation arrangements.

Hedges' research confirms that pension planning is limited and belated. For most people, the idea of planning a pension is quite new.

Until the late 1980s, state pensions and occupational pensions were semi-automatic. Now people have more choice about 'contracting out' of SERPS and choosing whether or not to opt into an occupational or personal pension. There is therefore greater need to plan pensions now, but people are failing to do so because of lack of knowledge and understanding combined with uncertainty and inertia.

Thomas *et al.* (1999) produced similar findings to Hedges. They classified the general public into different types, including: active pension planners (who had consciously made a decision to take out a pension); passive pension planners (who had signed up to an occupational pension, often with little thought); those who had considered a pension but not pursued it (often because of spending priorities, low income or because pension schemes were considered too expensive); and those who had not thought about pensions (mainly because their spending priorities were concerned with the present rather than the future). Compared to the general public, the self-employed were more likely to have thought about, and made concrete plans for their retirement.

Mayhew (2001) provides quantitative survey evidence that confirms the picture from qualitative research. She found that almost half of working-age respondents have no more than a 'patchy' knowledge of pensions. Opinion was divided over who should take responsibility for pensions: 42 per cent said the government while 50 per cent said the individual/family. Those most likely to say the individual were those in a better position to provide for themselves.

It is clear, then, that there is a gap between, on the one hand, the aims and assumptions of policy and, on the other, the actual behaviour and attitudes of the general public. This is because policy-makers have assumed that people are future-oriented and actively consider the medium and long-term future. Another assumption often made about individuals is that they have 'unitary selves', for example, they have consistent preferences and attitudes at any one time and over time (see Hoggett, 2001). It is also assumed that people are informed, interested and knowledgeable about long-term planning. Crucially, it assumes that people have the resources with which to plan ahead. And finally, it assumes that the capacity to plan ahead is evenly distributed throughout the population. The new research presented here aimed to explore these assumptions.

#### RESEARCH ON FUTURE PLANNING: AIMS AND METHODS

A qualitative approach was taken and so it is not possible to make generalisations from this particular sample to a broader population. But the



strength of this method is in developing a much richer understanding of processes, motivations, beliefs and attitudes than can be gained from quantitative research.

A total of 41 people were interviewed in depth from a cross-section of the public. Quotas were set to ensure a reasonable mix of: men and women; different employment/social class groups; and different life-cycle/age groups. The research did not attempt to explore the issue of ethnicity (a more specific study would be needed to do this) and the sample is, with a couple of exceptions, white. The achieved sample was as follows:

|   |    |
|---|----|
| <i>Gender</i>                           |    |
| Men                                     | 21 |
| Women                                   | 20 |
| <i>Employment/social class</i>          |    |
| Respondents in ABC1 jobs                | 10 |
| Respondents in C2DE jobs                | 11 |
| Respondents not in jobs                 |    |
| Partner in job                          | 5  |
| Partner not in job                      | 5  |
| Retired                                 | 10 |
| <i>Lifecycle stage</i>                  |    |
| Young people (35 or under), no children | 11 |
| People with children                    | 10 |
| Older people (over 35), no children     | 10 |
| Retired                                 | 10 |

A quota had also been set on location of interviews to ensure a mix of interviews between rural, city and small town areas. Recruitment of respondents was carried out by interviewers working for MORI Ltd using a screening questionnaire. Respondents were given £10 to thank them for their time. Half of the interviews were carried out by the author, the other half by a fully trained and experienced in-depth interviewer, Marie Kennedy. Fieldwork took place in April and May 1999.

Interviews took place in respondents' own homes (apart from one which took place at a respondent's place of work). They were fully taped and transcribed. Length of interview ranged from 45 minutes to over 3 hours. The typical length was one and a half hours. The interview began by asking people to go back to when they were 15 and talk through what had happened to them from then on, in the context of their aspirations,

expectations and plans. People were then asked to talk about their thoughts and feelings about the future, including any plans they were making. The interviews provided a wealth of information from which to conduct the analysis. The analytical tools used included conceptual and thematic grids alongside index cards.

The more general findings from the research are discussed in Rowlingson (2000). This article focuses on a key set of findings relating to the constraints people face in relation to private pension planning and how and why these constraints are not evenly distributed. Those with fewest resources and perhaps most need of planning ahead are those who are most constrained in doing so. The research therefore shows that there are good reasons why some people do not appear to be behaving 'responsibly' in terms of private pension planning.

#### RESEARCH FINDINGS

We have seen from previous studies that people do not make sufficient private pension provision to secure enough income in retirement to give them the lifestyle they would like. Nor is the level of private pension provision considered to be high enough according to the government. This research identified a number of reasons for this relatively low level of private pension planning, including:

- Difficulty imagining what you/your life will be like in the future (e.g. when you retire) because of uncertainty or feelings of lack of control over the future
- Unpleasantness associated with the long-term future (such as ill health, lack of independence, death)
- Possibility of 'tempting fate' or being disappointed if you think or plan too far ahead
- Social expectations of future trajectories, based on social class, gender and age reduce the need to think ahead
- Conceptions of the lifecycle shape the way people balance current and future priorities
- Financial constraints reduce people's abilities to plan for the future

Each of these explanations is now discussed in turn.

#### *Difficulties in thinking about the future*

Many respondents simply found it difficult to contemplate what their life would be like in the long term. This was because the future was uncertain on many different levels: individual; family; national; European; global. On an individual and family level, there were uncertainties about jobs

and future family life. At a national level, there were uncertainties about policies relating to pensions – some people were unsure as to whether there would be a state pension when they retired. At a global level, changes in the international economy affected job prospects at home. These insecurities manifested themselves in a basic difficulty for people to see very far into the future. A 27-year-old skilled manual worker was asked what he thought he might be doing in his forties. He replied:

Forties? I'm not, I couldn't tell you that. I just can't think what I'm doing when I'm thirty, thirty/forty. I don't know what I'm doing when I'm twenty-eight!

People from all backgrounds had similarly short future horizons. A 19-year-old woman from a middle-class background was at university and had little idea what she would be doing next:

I can see through university, that's long enough ... I just want to travel ... I just didn't like the thought of going straight into a job ... I don't know what I want to be doing but I don't think I want to be in a job by 24 ... it seems young to be in a job.

Difficulties looking ahead were fairly universal but those in more insecure occupations and situations had greatest difficulties seeing into the future.

*Unpleasantness associated with the long-term future*

The difficulties involved in looking towards the long term were compounded by an unwillingness to even try. Younger people wanted to stay young, fit and healthy. The cult of youth was very much in existence. A man in his mid 30s said that he did not like to dwell on the prospect of getting old: 'I try to block these things out, otherwise you can drive yourself potty thinking about these things.' One man in his mid 20s went so far as to say: 'I want to be dead before I'm 70.' Much of the planning that government would like people to do is precautionary planning: planning for some negative experience such as unemployment, divorce or death. Retirement was also seen negatively by some people. This research shows that people have an aversion to considering negative events. Where they did think and plan ahead, it tended to be for positive events such as weddings and holidays. Anticipatory planning seemed much more common than precautionary planning.

*Possibility of 'tempting fate' or being disappointed if you think or plan too far ahead*

So the long-term future was mostly seen negatively in terms of ill health and death. But this was not the only reason why people avoided looking far ahead into the future. One young woman explained the extent of her time horizons and her reasons for this:

mainly short-term, like what am I going to do next week or in a month's time or something. Never really thought about long term because I'm afraid that if I do and set my heart on something, then it's not going to happen.

This young woman summed up the views of many when she explained that she was wary of being too positive about the long-term future in case she 'tempted fate' by thinking or planning too far ahead. Fate and superstition seemed to be far more important than has been suggested elsewhere (Giddens, 1999). This seems to be because people felt that they have limited control over the future. This relates back to the different levels of uncertainty that people face. Those with greater resources had greater ability to plan for the future but for the rest, unexpected events could jeopardise the best-laid plans making it seem pointless to think or plan ahead. At the very heart of this was the basic unpredictability of life itself, as another woman explained:

[My husband's] boss is 44. He went home a month ago, he's come from a degree background, whatever. They're under a lot of stress, he went home, went to the gym with his wife on Saturday morning ... He just clutched his chest and died. Apparently he had got a heart disease, from the autopsy, but it wasn't found and he just had a massive coronary. And he wanted the future. He wanted to work and that is all he lived for, was to work for the future, the house to be paid off and retirement. And he never got there.

Such cautionary tales were common. They made a much greater impact on respondents than the more widespread experience of people living to a reasonably ripe old age. The drama, the unexpectedness, the irony of having worked so hard for the future only to have it taken away, made a major impact on this woman, and many others who knew of other such stories (even if at second or third hand). Like the risk of unemployment, the risk of premature death is also unevenly distributed throughout the population. Those with least resources (particularly men) have much lower life expectancies than those with most (Acheson, 1998). This makes pension planning less important to some groups – and less rational.

For example, one man in the study was 35 and had left school with no qualifications. He had worked for some time as both a builder and drug-dealer and spent time in prison for armed robbery. He felt that he was unlikely to live much beyond retirement age (if he lived that long at all). He said, not surprisingly perhaps, that he had not given any consideration to private pension planning.

So far, the explanations for short-term time horizons relate to people's feelings of uncertainty and lack of control/power over the future. They do not generally feel confident that they have the power to make the future a positive experience.

*Social expectations of future trajectories reduce the need to think and plan ahead*

Another set of reasons for not thinking or planning ahead is that people generally look around them and base their aspirations, expectations and behaviour on the people closest to them: their parents: brothers, sisters and their friends. They do not necessarily have to think actively about what they might do in the future if they simply follow the general paths laid out for them. This, in practice, means that social class plays a key role. People generally said that they wanted to achieve as much as their parents had achieved, perhaps a little more. As one man in his late 30s said: 'At that age [15] ... you don't really have much in mind of your own, really. You sort of copy what your friends do and you do what your parents tell you to do.' This is a good example of how the concept of 'individual' planning obscures the role played by social networks. In relation to private pension provision, people will have greater knowledge of private pensions if their friends and families make use of them. One woman in her early 20s said that both her parents had private pensions and she thought that she would follow their example soon.

One man in the study was a manual worker in his 20s and he had taken out a private pension provision because his brother advised him to do so. He had been spurred to do this after seeing how his grandfather was managing on the basic state pension: 'I just thought to myself, "nobody could live on that money" which is awful what they're getting paid ... I don't want to live on state pension because it's terrible.' But another man, this time in his 30s with a wife and four children, thought that the current level of state pension was reasonable. This man had been unemployed for most of his adult life and so was used to living on means-tested benefits. He said: 'It's not too bad at the moment – how much my father-in-law gets [in state pension]. It's nearly what I get now, to look after 6 people.'

*Conceptions of the lifecycle*

Financial planning, as we might expect, is closely linked to age and lifecycle stage. A number of studies show that people tend not to start thinking about pensions until they reach their 40s and 50s (Hedges, 1998, Hawkes and Garman, 1995, Rowlingson *et al.*, 1999). This phenomenon can be partly explained by people's conceptions of what is appropriate at different lifecycle stages and this is also closely linked with the level of resources available at each stage. Of those interviewed in this study, young people without children were quite likely to be saving towards specific goals such as a house deposit, a holiday or some travelling. But they

also wished to enjoy themselves and some had little money with which to save. One 20-year-old woman who worked part-time in a pub was typical when she said: 'I've never even thought of a pension, haven't got a clue how they work. I always thought pension was what you got when you retired!'

People with children were less likely to be saving but some were putting money aside for their children. They were prioritising spending on mortgages and family-related items. Others had very little money to go round at all including one woman who was living with her partner and their child (with another child on the way). They were living on income support and she said: 'I don't tend to think about what's going to happen. I just sort of like take it as it comes.'

Some of the older people without children in the sample had by now taken out private pensions. There was some concern and uncertainty, however, about how much money these private pensions would deliver. Those that had not made any private provision were starting to worry too. One man was 38 and living by himself. He had worked in many different jobs and made no private provision. He was now receiving income support while also doing a Btec and some voluntary work. He was keen to establish himself in a new career and said he would then sort out a pension.

Some older people, particularly those in their 50s, saw little point in taking out a private pension now. One man was 55 and had just taken on a job that had a pension attached to it. He said that he had to pay into it but he did not think he would get much out of it.

This research showed that people's priorities, attitudes, time orientation and so on all varied over their lifecycle. It confirms Hoggett's (2001) view that the 'unitary self' idea is more myth than reality. People's preferences and attitudes change over time (if indeed they are ever consistent at any particular point in time). For policy purposes, an individual in their twenties might well be considered to be a different person from themselves in their forties or sixties.

#### *Financial and time constraints*

Some people found it difficult to put any money aside for the future because, quite simply, their income was insecure or very low. For some younger people, job security appeared to be a precondition for embarking on other life stages. One 25-year-old man felt that everything would stem from him finding secure employment in the Fire Brigade. If he was accepted into this organisation, he said he would take out a pension, take out a mortgage and consider settling down with a wife and starting a

family. But all of this hinged on him passing the exam and interview for the job.

One conclusion from this is that economic security is a key determinant of planning and this means that people have different capacities to plan. Those with a secure and high income have more capacity to plan ahead than those with insecure or low income. Those with most need to plan ahead are therefore least able. And other research shows that they are also most likely to be excluded from financial products which could be of help to them in the future (Ford and Kempson, 1997).

For people on very low incomes, particularly those on social security benefits, there is often no time to think about the future or plan ahead. For some, every minute of the day is filled with concern about how they will survive until the next benefit payment arrives (Kempson *et al.*, 1994; Kempson, 1995). A lone parent on benefit explained how immediate needs had to come first: 'I haven't the time to think about what I want to do ... I don't have the luxury of thinking, well, what would I like? At the moment, it's what I need, first and foremost'.

#### *Making plans – but still insecure*

Those who had made private pension plans did not necessarily feel secure about their future. A number of people in the sample were putting (or had put) money into private pension provision. Some of these people, particularly those previously paying into occupational pensions, were now retired. Others were not retired but were confident that their future retirement income would meet their needs. Some of these, however, were mistaken about this. The 27-year-old man who had started paying into a pension following his brother's advice (and after seeing his grand-dad struggling on a basic state pension) was paying only £10 a month into his personal pension. But he was confident that this would give him a decent income in retirement.

Some people had previously paid into a private pension but were nevertheless feeling insecure about their retirement. Some now found themselves in the private pension trap while others who were yet to retire were concerned about the future. One man, now in his mid-forties and living with his wife and three children, had probably been the victim of mis-selling when he transferred his coalminer's pension into a private scheme. He then found he could not keep up the payments. He was now working as a coach driver but felt insecure in his job and was struggling with debt problems. He said he was dreading retirement but did not expect to live much beyond it (his father had died very soon after retiring).

Some of those paying into private pensions felt insecure about how

much they would receive in retirement and said that they could not understand the information they received about their pension. A 50-year-old woman said about her occupational pension:

I can't understand a word about it. We have a man and within 10 minutes I was getting a glazed look ... so I went down to Personnel and basically all I'd grasped is that if I can afford it, it would be better to up my AVCs or go into a private pension which is strange because all the time they've been saying you won't beat your company pension ... if it hadn't been for this big mortgage I'd have really upped my AVCs.

Another woman in her early forties spoke about the personal pension she took out when working self-employed. When her work finished she had to stop paying into it:

I don't think mine will really be worth anything at the end of the day. I'm sure they won't because I can't even get the information in the first place because the company keeps getting swallowed up by other companies, and it's difficult to track them down. I'm not holding out any hope there and I wouldn't be entitled to much from the state pension.

#### CONCLUSION

When re-elected in June 2001, the Labour government signalled its continuing commitment to pensions policy when it re-named the Department of Social Security as the Department for Work and Pensions and created a new 'Pensions Service'. Pensions policy (along with policy in many other fields) is currently dominated by the rhetoric of individual responsibility. In this article I have argued that this rhetoric obscures the real issue about the most appropriate balance between individual and collective responsibility. Clearly the government appears to be convinced that the balance should be shifted more towards individual responsibility. The research evidence presented here suggests that this course of action will increase risk for everyone, will be regressive and will force people to make decisions and 'choices' in a field that is incredibly complex. The security offered by occupational and personal pension schemes is seriously open to doubt and while the flagship stakeholder pension (along with other recent reforms) appears to be a positive step towards helping people to make private provision, it is unlikely to make a fundamental difference in terms of providing real security in old age.

This research has drawn on recent qualitative research (Rowlingson, 2000) to argue that the main reason why private provision is low is that some people are not thinking or planning ahead very far. But it is simply inappropriate to label them as irresponsible or irrational citizens. People face constraints in thinking or planning ahead. One set of constraints



relates to future orientation. First of all, it is difficult to imagine the future and your place in it. Second, there is a general unwillingness to consider very long term into the future. Third, there is a fear of 'tempting fate' or being disappointed should one's plans not reach fruition. These constraints affect us all but perhaps affect more those at greatest risk of adverse events. Another set of reasons why people fail to exercise individual agency in planning ahead is that most people base their future aspirations and expectations on the people they see around them. This can be viewed as a low-risk and rational strategy but it does serve to reinforce class and gender positions. In a similar way, conceptions of the lifecycle also lead people to only consider particular types of planning at particular ages. Finally, and perhaps most important, the ability to think and plan ahead is affected by the amount and security of resources that people command. Those with high and secure incomes are much better able to plan ahead. Those with insecure lives face much greater difficulties in planning ahead.

The research in this article also suggests that even those who do put money into private pension provision do not always feel secure about their retirement income. And in some cases it suggests that they have a right to be concerned, partly because of structural problems within the provision of private pensions and partly because many people put too little money into private pensions for too little time.

Current government policy does little to justify its emphasis on individual rather than collective planning and it currently misunderstands why people are not planning ahead as much as it would like. This article provides arguments and evidence with which to continue the debate about the most appropriate balance between collective and individual planning. And it provides evidence to explain people's current attitudes and behaviours in this field.

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